

Message Text

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E.O. 11652: N/A

TAGS: EAGR, GW

SUBJECT: EFFECT OF RECENT EC DAIRY DECISIONS

SUMMARY. THE COMMUNITY'S RECENT ACTION TO INCREASE THE TARGET PRICE FOR MILK BY 3.5 PERCENT WILL NOT HAVE ANY SIGNIFICANT IMPACT ON GERMAN MILK PRICES. THIS IS DUE TO THE APPRECIATION OF THE GREEN D MARK AND THE PROPOSED CONTRIBUTION BY FARMERS TO THE MARKETING OF SURPLUS DAIRY STOCKS. HOWEVER, THE GERMAN MILK PRICES ARE EXPECTED TO INCREASE BY 1 - 2 PFG/KG. DUE TO A MODEST INCREASE IN THE DEMAND FOR FRESH MILK PRODUCTS, AND WILL CONTINUE TO BE THE HIGHEST IN THE EC. THIS WILL PROBABLY STIMULATE THE PRODUCTION CURRENTLY PROJECTED TO INCREASE BY 2.5 PERCENT THIS YEAR. END SUMMARY.

1. THE OLD AND NEW DM PRICES FOR MILK DAIRY PRODUCTS PER 100 KG ARE AS FOLLOWS:

BEFORE MAY AFTER MAY 1,

1, 1972 1977

STANDARD MILK GUIDE PRICE 58.34 59.21

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BUTTER INTERVENTION 779.01 788.14

NFDM INTERVENTION 318.04 321.09

THE REDUCTION OF THE MONETARY COMPENSATION AMOUNT BY 1.8 PERCENT, WHICH HAS THE EFFECT OF A REVALUATION OF THE GREEN DM, WAS THE MAJOR FACTOR WHICH REDUCED THE INCREASE IN THE STANDARD MILK GUIDE PRICE FROM

3.5 PERCENT TO 1.5 PERCENT. EFFECTIVE MAY 1, THE NEW GREEN DM RATE WILL BE 1 UA EQUALS 3.41258. THE ACTUAL INCREASE OF DM 0.87/100 KG WILL BE ELIMINATED BY THE PRODUCER CO-RESPONSIBILITY PAYMENT OF 1.5 PERCENT OF THE NEW GUIDE PRICE (OR DM 0.89/100 KG) WHICH WILL TAKE EFFECT ON SEPTEMBER 16, 1977.

2. THE NEW INTERVENTION PRICE FOR BUTTER AND NFDM IN GERMANY AVERAGES ABOUT DM 55.94/100 KG. FLUID MILK EQUIVALENT (UP FROM DM 55.11/100 KG. MILK DURING THE PREVIOUS DAIRY YEAR). THIS IS APPROXIMATELY 94.5 PERCENT OF THE EC STANDARD MILK GUIDE PRICE. THIS LEVEL IS UNCHANGED FROM THE PREVIOUS YEAR.

3. ACTUAL PRICES RECEIVED BY FARMERS IN 1976 AVERAGED DM 54.4/100 KG. EXCLUDING VAT. THIS IS SLIGHTLY BELOW THE CALCULATED BLEND PRICE FOR MILK USED TO PRODUCE BUTTER AND NFDM. THIS DIFFERENCE OF DM 0.71/100 KG. MILK (ACTUAL PRICE FOR MILK RECEIVED BY FARMERS AND THE UTILIZATION THROUGH INTERVENTION PRODUCTS) IS DUE TO THE FACT THAT IN 1976 IT WAS MORE PROFITABLE TO PRODUCE FOR INTERVENTION RATHER THAN SELL FRESH MILK PRODUCTS AND CHEESES ON THE OPEN MARKET. HOWEVER, THIS UNSATISFACTORY SITUATION IS EXPECTED TO CHANGE IN 1977. MILK PRICES RECEIVED BY FARMERS IN 1977 ARE FORECAST TO INCREASE BY 1 TO 2 PFGS. PER KG. OVER THE 1976 AVERAGE. AT LEAST PART OF THIS INCREASE UNCLASSIFIED

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WILL BE DUE TO AN INCREASE IN CONSUMER PRICES FOR NON-SUPPORTED DAIRY PRODUCTS SUCH AS FRESH MILK PRODUCTS AND CHEESES.

4. GERMAN MILK PRICES WILL CONTINUE TO BE THE HIGHEST IN THE COMMUNITY. THIS IS CLEARLY INDICATED BY THE DOLLAR EQUIVALENT PRICE FOR MILK IN THE SEVERAL MEMBER STATES. THE COMPARATIVE PRICES IN DOLLARS PER 100 KG. ARE AS FOLLOWS: (AVERAGE PRICE RECEIVED BY FARMERS IN 1976) - GERMANY, 25.03; FRANCE, 17.13; NETHERLANDS, 20.85; DENMARK, 18.82; U.K., 15.02; ITALY, 20.31; BELGIUM, 20.42. THE GERMAN FARMER CAN CONVERT NON-LEVY FEEDS AND PROTEINS INTO MILK AT ADVANTAGEOUS PRICES RELATIVE TO OTHER MEMBER STATES. GERMAN PRICES WILL CONTINUE TO STIMULATE MILK PRODUCTION IN GERMANY. WE ESTIMATE GERMAN MILK PRODUCTION IN 1977 AT 22.7 MILLION METRIC TONS OR ABOUT 2.5 PERCENT ABOVE 1976.

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Message Attributes

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